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ABSTRACT

Based upon the view that Arizona's future workforce cannot meet competitive demands if children are not ready to learn at school entry, the Arizona School Readiness Task Force examined ways to improve child care and early education. This report presents the task force findings and recommendations to improve learning opportunities. The report identifies early childhood experiences as critical to shaping school success and identifies several barriers to elevating the quality of child care and preschool. The following recommendations to improve educational quality and overcome barriers are detailed: (1) improve quality by requiring teacher training, providing salary compensation for teachers completing specialized training, establishing a voluntary quality rating system for parents, and providing financial resources to centers and preschools to improve their ratings; (2) remove governance barriers by developing a statewide mechanism to improve coordination and delivery of child care and preschool, and by creating a cohesive, comprehensive multi-year plan to coordinate and improve child care and preschool and to enhance public and private investment; and (3) overcome financial barriers by providing financial support through diversified sources, encouraging employers to offer pretax payroll deductions for child care, providing information on publicly-funded child care subsidies, creating a public fund-matching program for employer child care/preschool contributions, and using additional funds to expand Arizona's financial systems to include preschool in the K-12 educational system. The report's four appendices describe strategies to improve child care quality in various states; describe child care licensure and early childhood programs; describe early childhood governance models in various states; and provide information on financing options. (Contains 19 endnotes.) (KB)

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ED 472 357

GROWING ARIZONA

A REPORT BY

THE ARIZONA SCHOOL READINESS TASK FORCE

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DEAR COMMUNITY
AND OPINION LEADER:

Large segments of our population are not receiving the kind of schooling they will need to have any hope of success in tomorrow's economy.

This report wrestles with perhaps the weakest link in our educational chain: preschool education or "school readiness." Children who arrive at kindergarten without the needed skills fall behind and never catch up. This is a great human loss to those children and their families, and it affects our entire social fabric as well as our economy.

I strongly urge you to read the attached report of the Arizona School Readiness Task Force. Over the last year, the task force has put their time and energy behind this effort to find ways to improve – and help families pay for – quality child care and early education. I believe this issue is critically important to Arizona's families and its economy.

Our Task Force uncovered the common elements for successful early childhood education programs and developed a set of recommendations for achieving success. Some of our recommendations will seem almost obvious and easy to implement; others are more controversial, requiring debate and time to achieve consensus.

Our hope is that this report will produce meaningful action. With your support on key recommendations, we can begin making a serious difference in the lives of our children, our communities and our economy.

Please share this report with your employees and your colleagues. They will find these issues of personal interest concerning child care and preschool options. Expanding our public awareness of this important topic will hopefully create momentum for improvement.

Improving child care and preschool education should be near the top of everyone's personal agenda and the highest priority for Arizona's public policy leaders.

Sincerely,

Bill Post

Bill Post

ACKNOWLEDGMENTS

Growing Arizona is the product of a year-long project of the Arizona School Readiness Task Force with staff support from Children's Action Alliance. The 31 business leaders and early education experts serving on the Task Force researched, discussed, viewed and evaluated the issue of early care and education in the state of Arizona.

We gratefully acknowledge the organizations and individuals who made this report possible through financial support and leadership:

The Arizona Community Foundation
Southwest Human Development
St. Luke's Health Initiatives

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Dr. Michael F. Kelley Ed.D.
Arizona State University West
Dr. Jill Stamm, New Directions Institute for Infant Brain Development
Doug Price, co-founder of Educare Colorado

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Children's Action Alliance is a nonprofit, nonpartisan research, education and advocacy organization dedicated to promoting the well-being of all of Arizona's children and families. Through research, publications, media campaigns and advocacy, we act as a strong and independent voice for children.

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Executive Summary

Arizona business knows that our competitive success in the 21st century depends on the quality and productivity of our workforce. It is a simple fact that our workforce of tomorrow cannot meet competitive demands if children in elementary schools today are not on track to learn and succeed.

The reality is that our state has a long way to go to achieve the kind of educational success it needs. Arizona has the highest rate of school dropouts in the nation and nearly half of all 4th graders are reading below basic levels.[1] The Arizona School Readiness Task Force believes that our children's care, development and education prior to entering the formal school system are the seeds we need to plant for Arizona's future.

The Task Force's conclusions are based on recent landmark brain research confirming that a child's earliest years dramatically shape lifelong learning capacity and behavior. Educational success depends, in large part, on what happens to children before they ever start school.

To prepare children for success in kindergarten and beyond, child care and preschool must have the following six key components:

- Trained, qualified teachers
- Teacher salaries and benefits comparable to kindergarten teachers
- Low teacher turnover
- Low child to teacher ratios
- Parent partnerships
- Enriching classroom and teacher materials

Unfortunately, most child care and preschools in Arizona do not have these key school readiness components.

There is no requirement for teachers in child care centers or homes to have any prior training before they begin their employment.

Arizona preschool teachers earn about half the salary of kindergarten teachers, child care teachers earn even less.

Preschool and child care teachers earn less than $17,000 a year for full-time work.

One third of child care and preschool teachers have been in their jobs a year or less.

Arizona does not meet recommended child to teacher ratios for any age group.

There are several major barriers to elevating the quality of child care and preschool on a broad scale. One barrier is duplication and fragmentation within the governance structure. Early care and education programs are extremely fragmented. Several different state agencies are involved in different parts of the system, and there is no mechanism to ensure coordination, comprehensive planning, or efficient funding.

Another barrier is cost. Child care and preschools that effectively promote school readiness cost more than most parents in Arizona can afford. Full-time child care and preschool already cost between $3,600 and $7,000 each year, as much or more than the cost of annual tuition at Arizona's public universities. Adding the school readiness components raises the cost to $7,000 to $10,000 a year — out of reach for most families.

The Arizona School Readiness Task Force presents the following recommendations to improve the quality of early education and overcome the barriers of governance and cost.

Improving Quality

Require training for child care and preschool teachers.

Provide salary compensation for child care and preschool teachers who complete specialized early childhood education and training.

Establish a voluntary quality rating system for parents to use in choosing child care and preschool for their children.

Provide financial resources and incentives so that child care centers and preschools can make the investments needed to improve their ratings.

Governance

Develop a statewide mechanism to improve the coordination and delivery of child care and preschool in Arizona.

Create a cohesive and comprehensive multi-year plan to coordinate and improve child care and preschool services, and to enhance public and private investment in school readiness.

Finance

Provide financial support for child care and preschool through diversified sources.

Encourage employers to offer employees the federally allowed pre-tax payroll deductions for child care.

Launch a campaign by employers to provide information to employees about available publicly funded child care subsidies and to assist employees in enrolling in this program.

Create a public fund-matching program for employer contributions to child care and preschool.

Use additional funds to expand Arizona's finance system for K-12 education to include preschool.

These recommendations are substantial and putting them into action will require long-term commitment and significant resources. Success will require leadership from both the business community and state government. Arizona's future depends on planting these seeds and nurturing their growth.

Task Force Report

Arizona business knows that our competitive success in the 21st century depends on the quality and productivity of our workforce. It is a simple fact that our workforce of tomorrow cannot meet competitive demands if children in elementary schools today are not on track to learn and succeed.

With the highest dropout rate in the nation and nearly half of our 4th graders reading below basic levels,[1] we must change our perspective of preschool development. Maximizing school success is an investment in the future work force and economic strength of Arizona. Educational success depends, in large part, on what happens to children before they ever start kindergarten. Children who participate in well-run early learning programs are less likely to drop out of school, repeat grades, need special education or get into future trouble with the law.

The Task Force is proud to present its findings and recommendations to improve learning opportunities for Arizona children and families. We believe these recommendations deserve the serious attention of all Arizonans.

Findings

Early Childhood Experiences Shape School Success

Landmark brain research confirms that a child's earliest years dramatically shape lifelong learning capacity and behavior. This research concludes that 90 percent of brain development occurs between birth and age three.[2] In the first few weeks, months and years of life, as a child's brain takes in millions of sights, sounds and experiences, the brain becomes more organized, children begin to make sense of the world around them, and they develop vision, language and thinking skills. The neurons and synapses in the brain are literally shaped by the baby's environment and experiences. Therefore, the positive and negative experiences children have during the first few years of life will influence how their brains will be wired as adults.[3]

In 2000, the National Research Council and the Institute of Medicine published a report, *From Neurons to Neighborhoods: The Science of Early Childhood Development*. This report was the result of a two and a half year project by 17 members, with backgrounds in neuroscience, psychology, child development, economics, education, pediatrics, psychiatry and public policy. The panel examined all the available scientific literature about the influence of early experiences on children's lives.

The report concludes: "The scientific evidence on the significant developmental impacts of early experiences, caregiving

relationships and environmental threats is incontrovertible. Virtually every aspect of early human development, from the brain's evolving circuitry to the child's capacity for empathy, is affected by the environments and experiences that are encountered in a cumulative fashion, beginning early in the prenatal period and extending throughout the early childhood years."[4]

The experiences and stimulation children need to thrive in early childhood do not require regimented curricula, flashcards or expectations that toddlers learn letters and numbers. Rather, young children need attention from caring adults. They need adults who touch, talk and read to them. They need to have things to look at, touch and experience.

THE LIKELIHOOD FOR SCHOOL SUCCESS IS SIGNIFICANTLY REDUCED WHEN CHILDREN FACE POVERTY, LACK OF HEALTH CARE AND STRUGGLING PARENTS IN THEIR EARLIEST MONTHS AND YEARS.

Jack P. Shonkoff, Dean of the Florence Heller Graduate School at Brandeis University and Chair of the National Research Council Committee on Integrating the Science of Early Childhood Development, describes these real needs of young children, "Young children thrive naturally when adults routinely talk, read and play with them in a safe and encouraging environment."[5]

When young children do not receive this basic care and attention, the results can be devastating and long lasting. Brain scans graphically show the physical effects children suffer when they lack stimulation and touch from caregivers – neural connections in the brain are impeded. The picture compares a brain scan of a normal brain of a three-year-old child to a brain of a three-year-old child who has been sensory deprived due to severe neglect or a combination of neglect and abuse. The scan of the neglected child's brain shows a significantly underdeveloped brain structure and energy flow.[6]

What do these scientific facts mean for helping children start school ready to learn?

NORMAL VS. DEPRIVED BRAIN OF A 3-YEAR-OLD CHILD

NORMAL BRAIN SENSORY DEPRIVED

According to kindergarten teachers, starting school ready to learn means that children are well-fed and rested, able to engage in conversation, willing to listen and understand when somebody talks to them, and cooperative with teachers and others. School readiness depends on physical and emotional health, as well as communication and cognitive skills.[7]

Based on all four of these components, kindergarten teachers can predict with confidence which of their young students will succeed throughout their school careers and which will fall behind. The research literature confirms teachers' experience and intuition: the likelihood for school success is significantly reduced when children face poverty, lack of health care and single and struggling parents in their earliest months and years.[8]

Clearly, families have the most responsibility and greatest role in raising healthy children. However, most young children in the United States and in Arizona spend a substantial portion of their days with other caregivers while their parents are at work. Using U.S. Census data, it is estimated that more than half of Arizona children younger than age six live with a single, working parent or with two working parents. The chart on the next page displays the variety of settings where young children in Arizona spend their days.

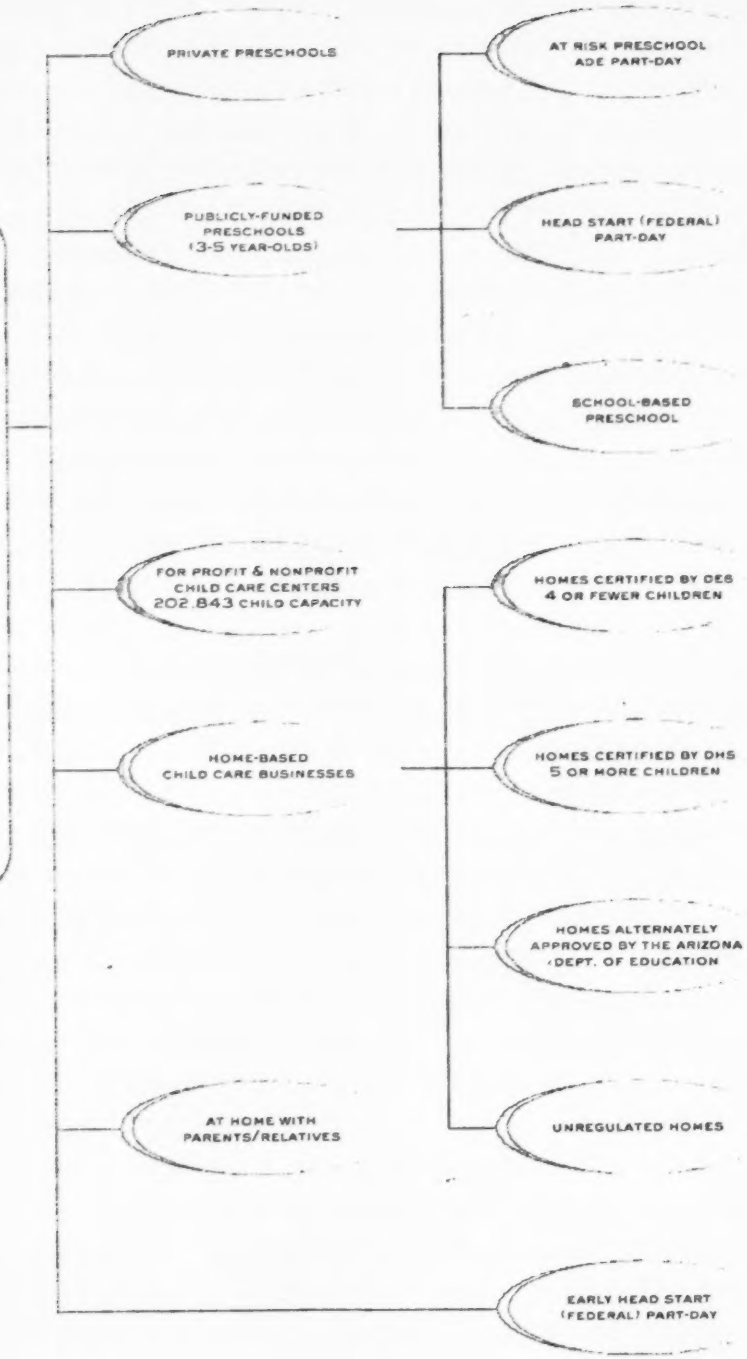
– continued on page 6

WHERE ARE ARIZONA'S 0-6 YEAR-OLDS?

NUMBER OF BIRTHS IN 2000: 84,985

CHILD POPULATION 0-5 YEARS OLD IN 2000: 459,141

WORKING PARENTS: 270,900 (59%) OF CHILDREN YOUNGER THAN 6 LIVE EITHER WITH A SINGLE WORKING PARENT OR WITH TWO WORKING PARENTS


PRIVATE PRESCHOOLS
PUBLICLY-FUNDED PRESCHOOLS (3-5 YEAR-OLDS)
AT RISK PRESCHOOL ADE PART-DAY
HEAD START (FEDERAL) PART-DAY
SCHOOL-BASED PRESCHOOL
FOR PROFIT & NONPROFIT CHILD CARE CENTERS 202,843 CHILD CAPACITY
HOME-BASED CHILD CARE BUSINESSES
HOMES CERTIFIED BY DES 4 OR FEWER CHILDREN
HOMES CERTIFIED BY DHS 5 OR MORE CHILDREN
HOMES ALTERNATELY APPROVED BY THE ARIZONA DEPT. OF EDUCATION
UNREGULATED HOMES
AT HOME WITH PARENTS/RELATIVES
EARLY HEAD START (FEDERAL) PART-DAY

THE COMPONENTS THAT ARE NECESSARY FOR CHILD CARE AND PRESCHOOL TO PROMOTE HEALTHY DEVELOPMENT AND SCHOOL READINESS HAVE BEEN CLEARLY DOCUMENTED.

The care and stimulation children receive in each of these settings dramatically impact their chances for school success.

According to the *From Neurons to Neighborhoods* report: "Second only to the immediate family, child care is the context in which early development unfolds, starting in infancy and continuing through school entry for the vast majority of young children in the United States. It is the setting in which most children first learn to interact with other children on a regular basis, establish bonds with adults other than their parents, receive or fail to receive important inputs for early learning and language development, and experience their initial encounter with a school-like environment."[9]

THE QUALITY OF CHILD CARE SHAPES SCHOOL READINESS

The components that are necessary for child care and preschool to promote healthy development and school readiness have been clearly and thoroughly documented through the research literature. These components include: trained, qualified teachers; teacher salaries and benefits comparable to kindergarten teachers; low teacher turnover to create the stable relationships that young brains need; low child-teacher ratios and small classes to ensure that children get attention and stimulation; parent partnerships; and classroom and teacher materials that facilitate learning.[10]

While we have a clear understanding of what high quality child care is, we do not have many clear examples of high quality child care in the state of Arizona.

In 2001, the median salary for child care and preschool teachers in Arizona was $8.00 per hour, equivalent to less than $17,000 a year for full-time work.[11]

According to the U.S. Bureau of Labor Statistics, Arizona preschool teachers earn about half the salary of kindergarten teachers; child care teachers earn even less.[12]

Nearly one in five child care centers and preschools do not contribute anything toward health insurance for teachers.[13]

There is no requirement for teachers in child care centers or child care homes to have any prior training before they begin their employment.

One-third of child care and preschool teachers have been in their jobs a year or less.[14]

Arizona does not meet recommended child-teacher ratios for any age group.[15]

There are several major barriers to elevating the quality of child care and preschool on a broad scale, including duplication and fragmentation within the governance structure and cost.

RECOMMENDATIONS

IMPROVING QUALITY

The goal of the Task Force was to identify strategies to improve early childhood learning and development by strengthening parents' ability to find and pay for high quality preschool and child care options. The Task Force explored specific strategies to improve school readiness. Other states that have successfully elevated the quality of early care and education teachers and the programs in which they work have taken a multifaceted approach. Examples are described in Appendix A.

Based on the research literature and experience throughout the country, the Task Force

focused on strategies to provide young children with more stable and stimulating relationships with better educated teachers.

The Task Force also believes it is critical that parents be aware of child care quality and school readiness issues so that they can make informed choices. Specifically, the Task Force identified strategies to improve child to teacher ratios, upgrade formal education and specialized training of child care and preschool teachers, increase teacher salaries, and reduce teacher turnover.

The Task Force developed four recommendations that, in combination, will move toward these objectives:

- Develop and implement a scholarship program that encourages child care teachers to get more training and education in early childhood.
- Develop and implement a program that provides salary supplements or salary increases to child care and preschool teachers who have completed specific education and training goals.
- Establish a voluntary quality rating system, such as a one- two- or three-star rating, to give parents simple information they can use in choosing child care and preschool.
- Provide child care and preschool programs with resources and incentives to improve their quality rating.

Many states around the country have begun to implement these types of strategies, with promising results. Scholarships and wage supplements for child care and preschool teachers have reduced turnover and increased overall child care teacher salaries in the states and metropolitan areas where they been tried.

Quality rating systems succeed by helping parents look for high quality care and helping child care businesses through financial incentives to make specific quality improvements. Clearly, parents don't have the time or expertise to compare all available child care options on all of the quality criteria. The rating systems provide a consistent and reliable methodology to measure the relevant indicators of quality. They also summarize the quality rating with simple labels, such as one-star, two-star, and three-star, so that parents can quickly and easily identify the level of quality of individual child care providers.

Effective rating systems will also help increase the supply of high quality child care. To do this, financial resources and technical assistance must be available so that child care businesses and preschools can implement improvements that will increase their quality rating. Funding can be made available, for example, for providers to increase wages and/or benefits for child care staff.

MANY STATES HAVE BEGUN TO IMPLEMENT STRATEGIES TO IMPROVE EARLY CHILDHOOD LEARNING AND DEVELOPMENT, WITH PROMISING RESULTS.

GOVERNANCE

Despite the number of children needing child care and preschool and the critical importance of quality, Arizona has no child care "system." Instead, we have an extremely fragmented set of policies, regulations and programs pertaining to early care and education. Administrative responsibilities for these regulations and programs are divided among three different state agencies. The Department of Economic Security (DES) provides subsidies to eligible low-income parents seeking private child care and certifies/monitors home-based DES contractors with four or fewer children. The Department of Education (ADE) administers the federal child and adult care food program and coordinates and monitors the home-based businesses that participate in this program.

IN ARIZONA, THERE IS NO STATE-LEVEL ENTITY WHICH COORDINATES OVERALL EARLY EDUCATION POLICY. AS A RESULT, AVAILABLE RESOURCES ARE NOT USED IN THE MOST EFFICIENT OR EFFECTIVE MANNER.

ADE also administers the Early Childhood Block Grant which provides funding to school districts for preschool and other early childhood programs. The Department of Health Services (DHS) licenses and monitors child care centers and preschools and certifies and monitors home-based child care businesses with five to ten children.

In addition, the state contracts with nonprofit agencies to operate the child care resource and referral systems. Selected public and private organizations operate federally funded Head Start preschool programs, and some school districts operate and/or contract for preschool programs on their campuses. The chart on the preceding page illustrates this division and the resulting inefficient puzzle of functions that is confusing to both parents and child care businesses. Appendix B describes in more detail the roles and responsibilities of the various agencies for this variety of programs.

While each agency is responsible for its own particular piece of the puzzle, there is no state-level entity responsible for the coordination, comprehensive planning or efficient financing of early education as a whole. Similarly, there is no state-level entity responsible for developing or coordinating overall early education policy. As a result, available resources are not used in the most efficient or effective manner, many children receive inadequate and even harmful care, and there is no roadmap to improve school readiness.

Arizona's struggle is not unique. Many other states have faced similar circumstances.

EARLY CARE AND EDUCATION IN ARIZONA: DIVIDED GOVERNANCE

DEPARTMENT OF HEALTH SERVICES

LICENSES AND MONITORS CHILD CARE CENTERS AND PRESCHOOLS

CERTIFIES AND MONITORS HOME-BASED BUSINESSES CARING FOR 5-10 CHILDREN

ARIZONA DEPARTMENT OF EDUCATION

ADMINISTERS CHILD AND ADULT CARE FOOD PROGRAM

COORDINATES AND MONITORS ALTERNATE APPROVAL HOME-BASED BUSINESSES THAT COMPLY WITH FEDERAL REGULATIONS

ADMINISTERS THE EARLY CHILDHOOD BLOCK GRANT

DEPARTMENT OF ECONOMIC SECURITY

PROVIDES SUBSIDIES TO ELIGIBLE LOW-INCOME PARENTS SEEKING PRIVATE CHILD CARE

CERTIFIES AND MONITORS HOME-BASED BUSINESSES THAT CARE FOR FOUR OR FEWER CHILDREN THAT HAVE A CONTRACT WITH DES

CHILD CARE RESOURCE AND REFERRAL

NONPROFIT ORGANIZATIONS UNDER CONTRACT WITH DES

MAINTAINS A DATABASE OF PROVIDERS: SOME ARE REQUIRED TO LIST WITH CCR&R; SOME OTHER PROVIDERS OF CHILD CARE MAY VOLUNTARILY LIST WITH CCR&R

HEAD START

FEDERALLY-FUNDED DISBURSEMENT TO 21 REGIONAL GRANTEES WHO ADMINISTER PRESCHOOL AND FAMILY SUPPORT CENTERS

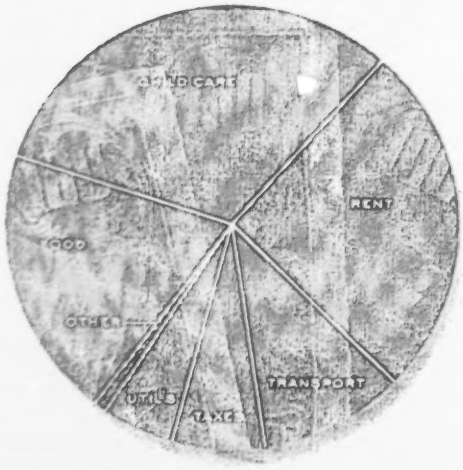
And quite a few states have developed initiatives that support collaborations and/or consolidation of early care and education services. While each approach is different, they are all designed to keep a focus on the big picture, promote long-term thinking, and encourage policy development that crosses many different systems and funding streams. The Task Force reviewed a variety of models in other states. They are described in Appendix C.

To reduce fragmentation in Arizona, strengthen policy, and make more efficient use of all available early care and education funds and services, the Task Force recommends the creation of a state-level mechanism. More specifically, the Task Force recommends that this mechanism:

- Include all state agencies that have a role in early care and education in Arizona
- Include coordination and oversight for child care, preschool and family support programs that are designed to help young children succeed;
- Develop a multi-year plan to improve service delivery and standards of care, avoid duplication and fragmentation of service, and enhance public and private investment;
- Measure the quality and capacity of early care and education programs; and
- Support and facilitate community efforts aimed at promoting school readiness

Finance

Even mediocre child care is often unaffordable for thousands of working families in Arizona. In 2000, the cost of full-time care ranged from $3,600 to $7,000 per year, depending on the age of the child, type of child care provider and the geographic area of the state.[16] The Head Start Program that includes part-day preschool and family support services costs close to $7,000 per year.



WORKING FAMILIES STRUGGLE TO AFFORD CHILD CARE

A MARRIED COUPLE WITH TWO CHILDREN AND AN ANNUAL HOUSEHOLD INCOME OF $30,000 PER YEAR WILL SPEND 30% OF MONTHLY EARNINGS ON CHILD CARE (BASED ON ONE 3-YEAR-OLD IN FULL-TIME CARE AND ONE 7-YEAR-OLD IN A MARICOPA COUNTY AFTER-SCHOOL CHILD CARE PROGRAM.[18]

This is as much or more than a year's tuition at one of Arizona's state universities. The pie chart on page 9 shows a sample family budget with household costs based on national and Arizona data. For this family with two working parents, a three-year-old child and a seven-year-old child, child care is already the largest single monthly expense, consuming more than a quarter of the family's income.

Improving the quality of child care with the components that are necessary for school readiness raises the price of child care to a minimum of $7,000 to $10,000 per child per year – making it out of reach for even more families. To raise the level of school readiness

THE HEAD START PROGRAM THAT INCLUDES PART-DAY PRESCHOOL AND FAMILY SUPPORT SERVICES COSTS AS MUCH OR MORE THAN A YEAR'S TUITION AT ONE OF THE STATE UNIVERSITIES.

components in child care and preschool on a broad scale requires some type of financing mechanism that bridges the gap between what quality costs and what parents can afford to pay.

Arizona has several financing mechanisms in place to help bridge this gap for some families. For example, state and federal funds are used to subsidize the price of private child care for families who meet specific income and other requirements (family income must be below 165 percent of the federal poverty level, $29,900 per year for a family of four). Approximately $10 million in state funds are used to provide public and private part-day preschool to approximately 4,300 low-income four-year-old children. And federal Head Start funds pay for part-day preschool for another 12,000 poor children.

THERE IS NO SINGLE "BEST" WAY TO FINANCE CHILD CARE. FINANCING OPTIONS ARE AS DIVERSE AS THE SYSTEM ITSELF.

However, these opportunities are limited and leave out thousands of families and their children. In 2000, Head Start's limited resources served fewer than half of the children who were eligible.[17] The child care subsidy rates are four years out of date and many parents can't afford the co-payments that are required even after receiving a subsidy. Clearly, additional mechanisms are needed. Based on estimates of children 0-6 years old living in families with incomes below 200 percent of the federal poverty level ($36,200 annual income for a family of four), a substantial investment is needed to give parents access to quality child care and preschool. There are approximately 173,000 Arizona children younger than school age living in working families at or below this income level. National estimates show that approximately 60 percent of working families with young children use paid child care, meaning that 104,000 of these children would need paid care. Quality child care/preschool is estimated to cost at least $7,000 annually but national data show that parents at this income level now pay an average of $2,844. The cost to bridge the gap would be $4,156 per child per year. Arizona already invests approximately $244 million per year in child care subsidies and preschool programs for low-income children. The remaining investment needed is an estimated $188 million per year.[18]

There is not any one best way to finance child care. Financing options are as diverse as the system itself. Appendix D describes a variety of public financing mechanisms that have been used to improve school readiness in other states and the current status in Arizona for each financing option.

The Task Force makes the following recommendations to finance the quality improvements needed in child care and preschool for school readiness:

- Develop multi-source financing for improving school readiness in child care and preschool programs;
- Direct, to the extent possible, the state's portion of the federal Workforce Investment Act funds toward increasing parents' access to early care and education opportunities that get children ready for school;
- Encourage employers to offer the federally allowed pretax payroll deductions to pay for child care, as well as, employee assistance in using this option;
- Conduct business-based information campaigns, to make employers aware of the publicly-funded child care subsidy program that is available for some of their employees. Employers should conduct information and assistance services to help eligible employees enroll in the child care subsidy program;
- Stimulate foundation and business financial support to implement a consumer education campaign so that

parents increase their demand for child care and preschool with school readiness components;

- Create a simple system to match employer contributions to school readiness efforts with public funds; and
- Expand Arizona's public finance system for K-12 education to include preschool without affecting funds for K-12.

PLANTING THE SEED

The key to improving our children's education and our future workforce is recognizing that Arizona needs to prepare our children for school. That preparation encompasses parental education, establishing standards for preschool and child care facilities and providing financial support. Arizona's parents and child care organizations have not had that necessary assistance. Dropout rates, poor reading skills and general sub-standard education relative to other states confirm that we are paying the price for that gap in our children's development.

Providing our children early care and education is our responsibility and one we need to take very seriously. Children who start school behind their peers are unlikely to catch up. Children who are unable to read at grade level by the end of third grade are unlikely to graduate from high school. Poorly-educated workers are increasingly unable to earn a living wage. Arizona pays in many ways for failing to take full advantage of the learning potential of all of its children, from lost economic productivity to higher crime rates and diminished participation in the civic life of our state.

As with our formal education system, the task force has concluded that Arizona needs a comprehensive and coordinated strategy to address the planning and financing of a quality early care and education system. Moving beyond today's fragmented and inadequate array of early care and education options to a high quality system that meets the needs of young children and their families will require a long-term commitment and will clearly take time. It is the hope of the Task Force that these recommendations will help make meaningful progress toward that goal.

ARIZONA PAYS IN MANY WAYS FOR FAILING TO TAKE FULL ADVANTAGE OF THE LEARNING POTENTIAL OF ALL OF ITS CHILDREN.

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Appendix A: Strategies to Improve Child Care Quality

States that have successfully elevated the quality of early care and education teachers, and the programs in which they work, have taken a multi-faceted approach. Examples include the following:

North Carolina improved staff to child ratios in child care settings, implemented a new five star rated licensing system, and raised and restructured reimbursement rates to reward programs that attain higher levels of quality. The state also funded the T.E.A.C.H. Early Childhood Project to strengthen education and compensation of early childhood teachers and staff, and the T.E.A.C.H. Health Insurance Initiative to provide subsidized health insurance to staff who participate in the scholarship program. Additionally, the WAGE$ Project was established to help retain qualified staff by providing salary supplements, based on education attainment, to early childhood program teachers and directors as well as family child care providers. Early care and education programs can get loans and grants for quality improvements, as well as business training and technical assistance, from the Center for Community Self-Help, which is partially funded by the state's Division of Child Development. And the Smart Start initiative makes flexible funds available to local partnerships, several of whom have used the funds to create innovative, new approaches to quality improvement.

Wisconsin has focused on building a quality improvement system that includes: higher rates for accredited child care as well as grants to help programs become accredited; replication of the T.E.A.C.H. Early Childhood Project; a new staff compensation initiative called Wisconsin R.E.W.A.R.D.S.; a well-established early childhood career development training and education system (that also supports early childhood credentials, mentor teacher training, management and on-site technical assistance); a child care information system geared to informing consumers about the importance of quality programs and qualified teachers; direct Quality Improvement Grants to early care and education programs that meet the state's high-quality standards; and a new Early Childhood Excellence Initiative aimed at building and supporting high-quality child care centers in low-income neighborhoods.

Oklahoma implemented a "reach for the stars" rated licensing system and raised and restructured reimbursement rates to reward programs that attain higher levels of quality. The state also funds a TEACH Early Childhood initiative, a new wage initiative called Oklahoma REWARDS, and a comprehensive early childhood career development initiative. Two years ago Oklahoma expanded its prekindergarten program to include all children, regardless of income, and allows school districts to contract with community-based early childhood program so that services can be made available to working families. Additionally, the state is in the process of launching a statewide accreditation facilitation project.

Colorado has a TEACH Early Childhood scholarship initiative as well as a Department of Labor early childhood apprenticeship program. The state's well-established career development system is frequently linked with other child care policy initiatives so that it can have a significant impact. (For example, licensing regulations were revised to include stronger pre-service and in-service educational requirements.) Educare, an initiative that assesses and rates the quality of early childhood programs, provides grants for accreditation and other quality improvements, and educates consumers on the importance of high-quality programs, was spearheaded by the private sector but works closely with government. The state has established an income tax "check-off" for quality as well as several tax credits aimed at generating additional investment in child care. Additionally, Colorado has made funds available for wage supplements for child care providers in the Consolidated Child

Care Pilot Projects (local partnerships that are not given authority to blend early childhood funds.)

Florida improved staff-to-child ratios for infants and toddlers in child care centers, raised the introductory training requirement for staff, and required that at least one staff person for every 20 children have a Child Development Associate (CDA) credential or its equivalent. State funds were made available to help teachers obtain CDA credentials. The state also initiated the Gold Seal program, through which child care programs that have voluntarily met national accreditation standards receive special statewide recognition and higher public reimbursement rates. Additionally, the Florida Department of Education spearheaded the Early Childhood Collaborative Project, which gave flexible funds to community-based partnerships that included all early care and education stakeholders and developed a plan to improve quality in a wide range of early childhood programs.

Arizona: Arizona has not focused on increasing the quality of early care and education. However, it is important to mention efforts recently implemented to improve the quality of early care and education. Child care centers that contract with the Department of Economic Security (DES) and attain national accreditation may receive an additional 10% in subsidy fees from the DES. The Arizona Self-Study Project is a statewide project for public and private preschools, child care centers, and certified family child.care providers. The Project assists programs in improving the quality of care and education they provide to young children by focusing on developmentally appropriate practices and integrating quality early childhood and special education methods into an appropriate model. The Department of Economic Security contracts with a variety of community based organizations to provide free early care and education training on a statewide basis.

Appendix B: Description Of Child Care Licensure And Early Childhood Programs

Department of Health Services

Generally, a child care center that serves more than four children for compensation and provides regular hours of care must be licensed by the Department of Health Services (DHS). According to Arizona statute, DHS is mandated to monitor centers (one unannounced visit each year) to verify compliance with licensing requirements. Licensing requirements include basic health and safety standards, as well as compliance with staff to child ratios.

Similarly, a child care home that serves more than four children for compensation and provides regular hours of care must be certified by DHS. According to Arizona statute, DHS is mandated to monitor child care homes caring for 5-10 children for compensation with at least one unannounced visit annually.

Department of Economic Security

The Department of Economic Security (DES) provides subsidies to eligible low-income working parents seeking child care, including school-age care. Subsidies are available to working parents who meet the income criteria (up to 165 percent of the federal poverty level — $22,122 per year for a family of four) and whose children are under age 13. The amount of subsidy available to parents varies depending on their income level and family size. Parents can use the subsidy for various child care options.

The maximum monthly-adjusted income is 165% of the federal poverty level adjusted for family size. A family of four who qualifies for care may earn a maximum of $2,345 per month. Two-parent families are eligible if both parents are participating in eligible activities and need child care in order to do so. Children must be under the age of thirteen to participate. The parent or guardian chooses either a home or center child care setting. The child care provider must be state licensed, certified, or be a relative, e.g. an aunt, uncle, or grandparent of child.

Subsidies can be used at DHS-licensed centers that have a contract with DES or at home-based child care that is certified by DES. To be certified, the homes that care for four or fewer children for compensation must pass health and safety standards, and obtain Child Protective Services fingerprinting and background checks on the provider and any individual who resides in the provider's home who is 18 or older. DES monitors their child care homes twice annually, one visit is unannounced.

Limitations: The payment of the child care subsidy to the child care provider is currently at the 75th percentile of the 1998 market rate survey. The market rate survey reflects what providers require all parents to pay, not the actual cost of delivering the care. Some child care providers do not have contracts with DES, therefore parents who receive the child care subsidy must limit their choice of care to those providers who choose to contract with DES. However, the vast majority of providers are contracted with DES.

Arizona Department of Education

The Arizona Department of Education (ADE) administers the federal Child and Adult Care Food Program (CACFP), which reimburses providers for meals they serve to children in child care. To participate in the CACFP, a child care home must either be certified by DES or be "alternately approved" by the Department of Education. To receive "alternate approval," homes must comply with minimal health and safety standards, established by federal regulation. Homes providing child care as an "alternate approval" home are monitored three times per year. For a center or group home to participate in the CACFP, they must be licensed by the DHS or be operated by a tribal government.

ADE also administers the Early Childhood Block Grant, which began in 1990 as funding for comprehensive preschool programs for four-year-old disadvantaged children. These preschools were modeled on Head Start and administered by school districts. The initial funding was $600,000 in 1991. Comprehensive guidelines were developed by a broad-based Early Childhood Advisory Council. The state appropriation grew to $12.5 million in 1995. By 1996 4,900 children were served. In 1996, funding for the preschool program was combined with other money into an early care block grant.

Currently, school districts are allocated funds from the Early Childhood Block Grant based on a formula set in statute. Districts may choose to use their block grant funds for preschool services or any services for kindergarten through third grade. Eligibility for preschool services is based on the USDA's free and reduced lunch program with a maximum income of $32,653 per year for a family of four. Schools are required to allow 50% of the eligible children to receive services from other providers including Head Start and private child care providers. The schools are no longer required to follow the comprehensive guidelines as they are required to be accredited. However, the guidelines are strongly encouraged to be utilized as an effort to promote quality programming. Preschool programs must be licensed by DHS.

Limitations: All state funding is capped just under 20 million dollars. The money is placed into an early care block grant and the districts have flexibility as to how the money is spent. Some districts may include preschools into the spending of these dollars and other districts may use their entire allocation for K-3 programs. The funds allocated to each district are based on a formula decided by law. This formula allows large, poor districts to receive larger allocations and the smaller, poor districts receive a smaller allocation. Research done on Head Start preschool programs has shown that approximately 5,000 per child needs to be spent to provide quality services. In Arizona, with one child care provider for every 10 children and a group size maximum of 20, this would equate to $100,000 per classroom.

Child Care Resource and Referral (CCR&R)

CCR&R is a coalition of community organizations providing referrals to families seeking child care and assistance/training to child care providers. Child & Family Resources, Inc. in Tucson and the Association for Supportive Child Care in Phoenix operate the programs in Arizona using state funds.

Providers required to register with the CCR&R databases include child care homes certified by DES and child care centers licensed by DHS that have contracts to care for children receiving DES subsidies. Some other programs may voluntarily be listed with the CCR&R.

The databases contain information on these care providers, including location of provider by geographic area, the total capacity of the provider, the cost of care, hours of operation and yearly schedule, ratios of staff to children, and special programs.

Unregulated Child Care Homes

Home-based businesses that care for four or fewer children for compensation are not regulated or monitored by any state or private agency. As of 2002, if a child care provider chooses to be listed with Child Care Resource and Referral (CCR&R), the provider must undergo a background check for the conviction of specific crimes and for substantiated cases of child abuse or neglect. The child care provider will also need to sign a sworn statement saying that they maintain minimal safety measures in their business, such as a fence around the pool, infant and toddler CPR/first aid certification and safe, locked storage of firearms.

Head Start

Head Start is a national program, which provides comprehensive child development services for America's low-income, preschool children

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age three to five and social services for their families. Head Start is administered through the Department of Health and Human Services, Administration on Children, Youth, and Families, Head Start Bureau. Since 1965, Head Start has served over 15 million (1998) children and their families. Head Start serves some of the most disadvantaged children in local communities in quality developmental programs, with 10 percent of the enrollment reserved for children with disabilities. Head Start plays a major role in focusing attention on the importance of early childhood development, emphasizing the importance of the early identification of health problems. Every child is involved in a comprehensive health program, which includes immunizations, medical, dental, and mental health, and nutritional services. Federal dollars are provided to the grantee private, or government or tribal. There are seven Arizona Head Start grantees serving non-reservation, non-migrant children, thirteen tribes operate Head Start programs, and Chicanos Por La Causa serves children whose parents are identified as "migrant."

Limitations: 19,278 are being served in Arizona which amounts to a fraction of those children eligible to receive Head Start services. The approximate cost of offering Head Start services to one child is $7,000.

Early Head Start

The Early Head Start Program, established in 1994, expands the benefits of early childhood development to low-income families with children under three and to pregnant women. Services include quality early education in and out of the home; home visits; parent education, including parent-child activities; comprehensive health services, including services to women before, during and after pregnancy; nutrition; and case management and peer support groups for parents.

Limitations: The total number of children being served is less than 800.

In addition the standards each Head Start program adheres to can be expensive and difficult to implement. Infants and toddlers have a group size of 1:8 and a ratio of 1:4 up to three years of age. Renovation and square footage requirements for each age group contribute to limitations in partnering. In addition, the cost for offering center-based care is approximately $12,000 per child.

Appendix C: Early Childhood Governance Models

Arizona's struggle to coordinate and improve early childhood policies and programs is not unique; many other states have faced similar circumstances. And quite a few states have developed initiatives that support collaboration and/or consolidation of early care and education services. While each approach is different, they are all designed to keep a focus on the big picture, promote long-term thinking and encourage policy development that crosses many different systems and funding streams.

A summary of six basic approaches used by states to coordinate child care policy is included below. Each example also identifies states that have used the strategy, although the list of states is by no means exhaustive.

States that have established a single state agency which is responsible for administering all early care and education funds include:

- Minnesota created the Department of Children, Families and Learning, which is responsible for administering all pre-K-12 and early care and education programs.
- Alaska established the Department of Education and Early Development. This agency also oversees all K-12 and early care and education programs, with two exceptions. Child care for protective services cases, and child care that is paid for directly with TANF dollars is still managed by the Department of Human Services.
- Delaware recently established a new Office of Early Care and Education within the State Education Department to coordinate the implementation of the state's Early Success Report, a long-term plan for early care and education that was drafted by a public/private group.
- Arkansas established a Division of Child Care and Early Childhood Education within the Department of Human Services to administer all early care and education initiatives except child care subsidies that are paid directly by TANF.

States that have established a single public/private agency to administer all early care and education funds and services include:

- Florida established a statewide Florida Partnership for School Readiness to oversee the administration of all early care and education funds and services. Each county (or a group of counties) was also directed to establish a local, public/private Partnership for School Readiness. In addition to creating this new administrative structure the state pooled all available funds (which were previously administered as categorical grants) and will now begin to allocate funds to local Partnership Boards as a block grant.

States that have created a new, cross-system early care and education initiative governed by a public/private partnership that manages funds and provides leadership in policy, finance and planning include:

- North Carolina's Smart Start initiative is governed by the North Carolina Partnership for Children, a non-profit entity that was created by the state. In addition to administering state Smart Start funds (which are awarded to local public/private partnerships, who are required to conduct a local needs assessment and develop a plan to coordinate services and fill in gaps) the Partnership raises private sector matching funds and provides statewide leadership on early care and education policy.
- South Carolina created a public/private partnership to oversee First Steps to School Readiness, a statewide early childhood education initiative modeled on North Carolina's Smart Start. First Steps requires every county to establish a local public/private partnership board to assess local needs and resources and develop strategic plans.
- Kentucky created an Early Childhood Development Authority to oversee KIDS Now, a new Governor's initiative that devotes 25%

of the state's tobacco settlement funds to a range of early care and education services. Community councils, which are responsible for assessing local needs and applying for seed grants from the Authority, were also established.

States that use a Children's Cabinet to guide policy development and administration of early care and education funds include:

- Colorado established a Children's Cabinet under Governor Roy Romer which was very involved in program coordination and administration. This entity no longer exists.
- West Virginia established a Children's Cabinet with designated staff and the capacity to raise funds to spearhead several innovative, new early care and education initiatives.
- Rhode Island uses a Children's Cabinet to coordinate planning across state agencies and make policy recommendations. The Integrated Services Initiative Steering Committee, a state-level partnership, reports to the Children's Cabinet and provides leadership, coordination, training and technical assistance on key initiatives.
- Kansas established a Children's Cabinet to oversee expenditures from the Children's Initiatives Fund (tobacco settlement money) and to identify, evaluate and recommend funding for children's programs. Members are appointed by the Governor and include cabinet level leadership from each state agency as well as a diverse group of Kansas citizens.

States that have established a new inter-agency body to help coordinate early care and education programs and services, or have assigned this responsibility to an existing, interagency coordinating body, include:

- Vermont created the Early Childhood Steering Committee to bring together staff from the Departments of Health, Social Welfare, Education, and Employment; early childhood programs; community partnerships; community-based organizations; and parent groups. The Steering Committee works to ensure a unified, comprehensive early care and education system in Vermont.
- Georgia established a state-level partnership, comprised of the Departments of Children & Youth, Education, Human Resources, Medical Assistance, and the Governor's Office of Planning and Budget. The partnership works to promote state-level coordination and support local collaborative groups.
- Hawaii has an interdepartmental Council (made up of state agency directors) and state staff, that works closely with the Good Beginnings Alliance (described below.)
- Mississippi established the Early Childhood Services Interagency Council including representation from the Departments of Human Services, Education, Health, and Mental Health, as well as higher education, educational TV, and other stakeholders. The Council works to coordinate funds and services.
- Washington created The Family Policy Council, a state-level, inter-agency entity that establishes outcomes for families and initiated a study of child care and early learning organizations within the state. The Council also oversees and provides technical assistance to local Community Public Health and Safety Networks. The Networks assess needs, devise solutions, and are legislatively mandated to achieve specific outcomes for children and families.

States that have established a Commission or Task Force to plan for and assist in overseeing all early care and education programs include:

- Kentucky Governor Patton appointed a Task Force on Early Childhood, which recommended using 25% of tobacco settlement ($56 million over 2 years) for the comprehensive KIDS Now! Initiative. (An Early Childhood Development Authority was then established to oversee the initiative and administer funds; see above.)
- Hawaii established the Good Beginnings Alliance, a statewide public/private partnership that works to improve and coordinate services and supports for children 0 to 6.
- Illinois recently established a Task Force on

Universal Access to Preschool, chaired by the First Lady.

- New Jersey established a Commission on Early Childhood Education to gather feedback and make policy recommendations on the delivery of preschool.
- Oregon has a State Commission on Children & Families that sets guidelines for the planning, coordination and delivery of services by local county commissions. The State Commission also provides local groups with training, technical assistance, and staff funds. Local commissions prepare a Coordinated Community Plan.
- Washington established a Commission on Early Learning, which expired in June 2000.

Appendix D: Financing Options For Child Care And Preschool

There is not one, best way to finance child care. Financing options are as diverse as the system itself. A brief description of the strategies that are currently used by states and cities is included below. The italicized paragraphs summarize Arizona's current financing structure in each of the categories discussed.

Federal, state and local governments generate revenue through taxation and fees. Taxes are assessed based on what you own (e.g. property taxes), what you spend (e.g. sales taxes) or what you earn (e.g. income taxes). Fees are payments for services you use or transactions you make. Fees can be charged to use a park, drive on a highway, acquire a marriage license, record a deed or buy a lottery ticket. Some states fund child care with dedicated revenue sources; that is, they "earmark" a specific tax or fee for child care. Examples of this approach include the following:

Dedicated Property Taxes

Florida enacted a law that allows local governments to create a juvenile welfare board and to levy a property tax earmarked for children's services. To date, six Florida counties have taken advantage of this taxing authority. Funds are used for a variety of children's services, including child care.

The cities of San Francisco (Proposition J) and Seattle (Families and Education Levy) have passed referenda establishing dedicated property taxes for children's services.

Arizona repealed the state property tax in 1996. There is a county property tax with a set, statewide rate that is earmarked for K-12 education. There are a number of special districts that levy property taxes for specific purposes, such as flood control. There are also property taxes levied by school districts and community college districts to pay for maintenance and operations (and some limited bonding for capital expenses). School district property taxes were reduced significantly when Students First was adopted in 1998 to pay for most K-12 capital expenditures. This law replaces local bond financing with appropriations from the state general fund.

Dedicated Sales and Excise Taxes

California imposed a new tax on tobacco products and dedicated these funds to improving childhood development (Proposition 10). Indiana initially funded its school-age child care project with a cigarette tax. The voters in Aspen, Colorado approved a provision to increase the local sales tax and earmark the increase for affordable housing and child care.

Arkansas recently imposed a new tax on beer, earmarked for child care.

In Arizona, there is a tax on tobacco and alcohol that is earmarked for correctional facilities. An additional tobacco tax was passed by voters in 1994 with the revenue earmarked for health services. In 2000, voters increased the statewide sales tax by 0.6% with funding earmarked primarily for K-12 education.

Dedicated Fees

Three California cities (San Francisco, Concord, and Santa Cruz) have established laws that require any new real estate development project to either make space available for a child care center or pay an "exaction" tax to help fund child care facilities.

Kentucky established a voluntary surcharge on motor vehicle registration or renewal to generate funds for child care assistance.

There are no similar dedicated fees in Arizona.

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LOTTERIES AND GAMING

Georgia earmarked part of the state lottery for a universal prekindergarten program.

Missouri earmarked a portion of the Gaming Commission Fund (from riverboat gambling) for early care and education services.

Arizona's lottery revenues are earmarked for a wide range of purposes, including transportation, parks, economic development, and the state general fund. Currently, several of the programs which are supposed to receive lottery funds actually get none, because the statutory allocations exceed the actual revenue. Lottery sales have been decreasing since 1995.

In Arizona, the state currently receives no revenue from the gaming on Indian reservations. The compacts that govern Indian gaming will be expiring soon and must be renegotiated. There is a pari-mutuel tax of less than 5% on revenues from dog and horse racing. These tax dollars are deposited into special funds for racing and are not allocated to the state general fund.

TAX CREDITS, DEDUCTIONS, AND EXEMPTIONS

Individual and corporate income taxes are one of the largest sources of revenue for the federal government and for forty-three states. Governments have established a variety of credits (taken against taxes owed) and deductions (subtracted from income before computing taxes owed) for child care related expenses. Twenty-five states also provide some sort of income or franchise tax assistance to employers who pay for child care for their employees. Unfortunately, these credits are not widely used in most states. Several states have attempted to address this problem by making the credits much more generous and/or developing new kinds of employer tax incentives.

New York greatly expanded its Child and Dependent Care Tax Credit. It is available to all families, regardless of income, and is refundable (which means that even families who pay no tax can receive a refund.) The maximum credit is approximately twice the federal credit.

Use of the Georgia employer child care tax credit jumped significantly when it was increased to allow companies to claim a credit of 75% of their investment in employer-sponsored care and 100% of the investment if they construct an on-site facility.

Colorado established a Child Care Contribution Tax Credit, equal to 25% of any contribution to promote child care in Colorado, up to $100,000. Since the credit is available to anyone — not just employers — it functions more like a specialized credit for charitable contributions than a targeted employer tax credit.

Oregon just enacted the Pilot Corporate Child Care Tax Credit, a new initiative modeled after the success of the Low Income Housing Tax Credit (LIHTC). Like the LIHTC, the child care pilot allows businesses to receive a significant financial return on their investment. Businesses may use the dollars they invest in the child care industry to purchase tax credits with a value greater than their initial investment. (For example, for every 50 to 80 cents invested in child care the business would receive a tax credit worth $1.) Approved community agencies will be responsible for selling child care tax credits to investors and allocating the funds collected to eligible child care programs.

Austin, TX created a child care fund as a set-aside when negotiating tax abatements with new businesses such as Samsung Semiconductor.

Maine has an initiative that refunds withholding taxes to businesses that create at least 15 new jobs, pay more than the average wage, and offer health and retirement benefits. (This strategy could be used to help fund wage and benefit enhancements for child care staff — especially if it is linked to a career development system.)

Arizona has no state tax credit on individual income taxes for child care expenses. A state tax credit was in place from 1991 through 1994 which provided a credit on corporate income taxes for employers that made expenditures for

child care services for their employees. This credit was used by only a handful of businesses when it was in place.

Financing Child Care With General Revenues

States are increasingly allocating their general public revenues to child care, using a variety of agency budgets for increased investment.

Federal Temporary Assistance for Needy Families (TANF) Funds

Washington uses TANF reinvestment funds to support a pilot Child Care Career and Wage Ladder that makes wage supplements available to early childhood teachers in 100 child care centers.

Connecticut makes tax exempt bonds available to help finance facilities, and then uses TANF funds to underwrite a portion of the debt. (The bonds are issued by a state authority, CHEFA, and used to leverage private investment.)

Arizona uses over 20% of our TANF funds to pay for existing child care subsidies. Arizona is relying on unspent TANF funds from past years to cover current expenditures.

State Education Funds: Preschool

Forty-two states spend education funds to support a preschool program or to supplement the federal Head Start program. Most states allocate targeted general funds for this purpose, although three states (Maine, Wisconsin, and West Virginia) permit school districts to enroll four-year olds in public schools and increase the general education budget appropriation. Pennsylvania also permits districts to enroll four-year olds but does not appropriate state funds.

The Arizona Department of Education budget includes an "early childhood block grant" of $19.5 million from the state general fund. These dollars are distributed to school districts and can be used for preschool programs for economically disadvantaged children or for any purpose to improve the academic achievement of all pupils in kindergarten through third grade. In fiscal year 2001, $9.8 million was used by 54 districts for preschool programs for economically disadvantaged children and $3 million was used by 67 districts for full-day kindergarten.

Previously, some school districts were also using their regular K-12 budget to help pay for preschool programs. However, a state attorney general opinion issued last September clarifies that no state dollars (other than the early childhood block grant) can be used for preschool. (This does not apply to preschool programs for children with disabilities, because these programs are required by federal law.) In addition, Students First does not count preschool or full-day kindergarten students in the funding formula for capital expenses. This makes it financially and physically difficult for many districts to house preschool programs in the schools.

School-Age Child Care

Many states also use education funds to support school-age child care.

Hawaii's A+ Program makes after-school child care universally available to all families with children enrolled in public elementary schools (kindergarten through sixth grade.)

California allocates education funds for the After School Learning and Safe Neighborhoods Partnership Program, which operates at elementary, middle and junior high schools with large numbers of children and youth from low-income families.

Arizona is using $4 million in TANF funds this fiscal year for after-school programs for youth 11-17 years old.

State and Federal Health Funds

Rhode Island uses states and federal Medicaid funds to pay for health insurance for child care providers.

Pennsylvania uses state Department of Health funding to support the Early Childhood Education Linkage System (ECELS), which offers child care providers health and safety training and technical assistance, as well as linkages to health care professionals who volunteer to work with child care programs.

New Hampshire uses funds from the departments of health and substance abuse services to fund Plustime, a school-age child care initiative.

State Higher Education Funds

New York, along with six other states (CA, FL, IL, KS, MI, OH) makes higher education funds available to support campus-based child care. The funding is intended to keep child care affordable for student parents.

Crime Prevention and Justice Funding

North Carolina allocates state crime prevention funds for Support Our Students initiative, which provides after-school programming and enrichment activities to middle school youth.

Colorado has earmarked 20% of the Youth Crime Prevention and Intervention fund for services provided to children less than 9 years old. Funded services include: school-age child care, a nurse which is shared by several early childhood programs to conduct home visits, training for staff who work with children who are at risk for later crime or are exposed to violence, parent mentoring and a summer reading program.

New York has allocated funds from the New York State Office of Court Administration to establish child care centers in court buildings.

Public/ Private Partnerships

Blending public and private funds for child care is not new. But many states have developed new, innovative strategies to leverage and blend funding. These partnerships have also helped to build stronger, private-sector support for publicly funded child care.

North Carolina's Smart Start initiative combines state general funds with matching funds from the corporate sector to support a diverse array of early care and education services. Funds are awarded to community groups, who identify needs and plan services. The North Carolina Partnership for Children oversees the initiative, in partnership with the state's child development division.

Colorado's Educare initiative is run by a nonprofit entity that raises funds from the private and public sectors. Educare focuses on quality improvement through a range of strategies, including program assessment, program grants, technical assistance and public education.

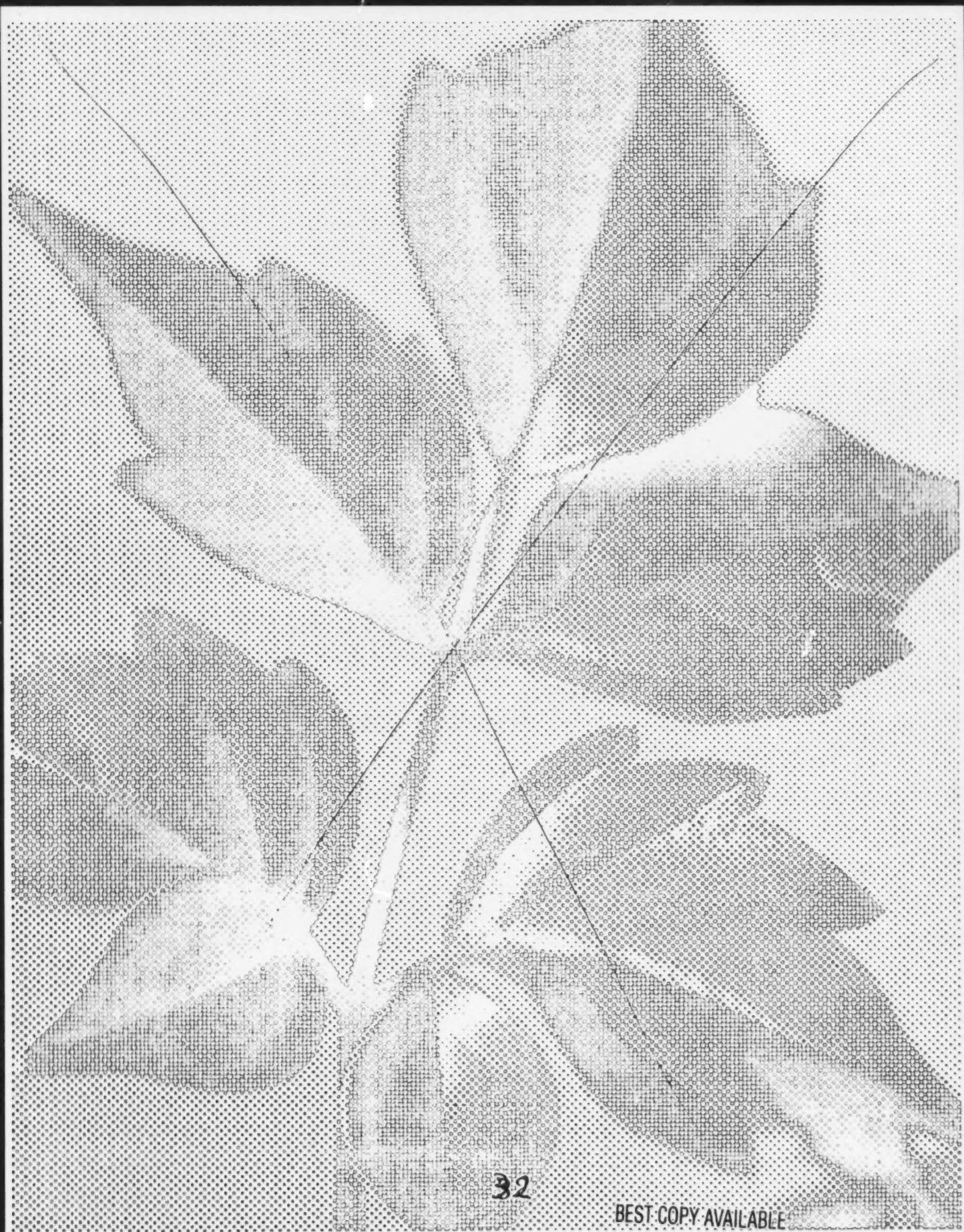
Florida established a matching grants program, called the Child Care Partnership, for employers who agree to help pay the cost of child care for low-wage employees.

Ithaca, a small town in upstate New York, has raised public and private funds to establish a community-based child care fund to help families at all income levels pay for child care. Organizers of the initiative are also exploring the feasibility of using funds from the New Markets Tax Credit and the National Community Capital Corporation.

New Jersey has formed a partnership with several private foundations to support a statewide accreditation facilitation project.

Community foundations in Indiana and Pennsylvania are helping to build child care endowment funds.

Four states — New Jersey, New York, California, Hawaii, Rhode Island — and Puerto Rico use Temporary Disability Insurance to provides partial wage replacement for maternity leave. Many more states are exploring the feasibility of using Unemployment Insurance to fund partial wage replacement during family leave.



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